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International
Cable Communication

Statement of

CLARENCE H. MACKAY

President, Commercial Cable-Postal Telegraph System

before the

Senate Committee on Interstate Commerce
Washington, D. C.

JANUARY 10, 1921

(The following extracts are taken from the stenographic report of a hearing held by a sub-Committee of the Committee on Interstate Commerce of the United States Senate, at Washington, D. C., January 10, 1921:)

STATEMENT OF CLARENCE H. MACKAY,
PRESIDENT, COMMERCIAL CABLE-POSTAL
TELEGRAPH SYSTEM, NEW YORK.

THE CHAIRMAN (Senator Kellogg): Mr. Mackay, this hearing is primarily upon the bill introduced by me, granting power to the State Department, or conferring power to grant or withhold landing licenses. The sub-committee has not made up its mind to confer that power on the State Department, but the whole subject is before the Committee for consideration, and, in connection with that, the Committee wishes your views, not only on the particular bill, but on the general cable situation, including extensions of cables, and the question of the German cables which were cut and transferred to British territory, or turned over to the Japanese Government, and I think it would be the best way to let you make your statement without interruption and then ask you questions afterwards.

MR. MACKAY: Thank you, Mr. Chairman.

In response to your wish that I present the views of my company in regard to the all important question of permits for landing cables in the United States, and such other information as may be of use to your Committee in furthering the interests of the United States in cable communications, in the first place let me say that I fully endorse the efforts which are being made by your Committee, to establish a definite policy in relation to cable communications, with a view to developing this important means of rapidly transacting business with foreign markets, as far as possible under the independent control of *American* interests. I beg to assure you on behalf of the companies I represent, of our unqualified support and co-operation in such a policy, and anything I can do to contribute towards its realization will be done as a matter of national interest and pride.

AMERICA'S POSITION IN CABLE COMMUNICATION

Perhaps it might be interesting in the consideration of the whole situation to refer very briefly to the history of submarine cable telegraphy from a manufacturing and a transmission standpoint and to consider the status of the United States in this regard.

Cable manufacture and communication had its birth in England and from the time that the first cable was laid across the English Channel in 1851, followed by further extensions, England was first to grasp the importance of cable communication. She quickly recognized the strategic and trade value of linking up by cables the mother country with her possessions and colonies in all parts of the world. It was an absolute necessity in binding up her vast and widely scattered Empire. You will recall that the first transatlantic cable was laid in 1858, followed by those of 1865 and 1866, and although conceived and carried out by that enterprising American, Mr. Cyrus W. Field, the capital was principally found in England (where the enterprise received its greatest support) and the cables were made in England and laid in the name of an English company. In spite of this early advantage in cable communication gained by England, it is a noteworthy fact that American companies have made very rapid progress in the development of American-owned cables. The first American-owned transatlantic cables were laid by Mr. Jay Gould in 1881 in the name of the American Cable and Telegraph Company and subsequently came under the control of the Western Union Telegraph Company through a long-term lease. These were followed by cables laid in 1884 by my father, Mr. John W. Mackay and Mr. James Gordon Bennett, in the name of the Commercial Cable Company, and about this time the All America Company was extending to Mexico, Central and South America. The total cable mileage owned or controlled by American companies today is 70,943; British companies own or control 128,976 miles, and 23,855 miles are owned and controlled by companies of all other nationalities. All of the cables operating between the United States and England are controlled by American companies. It will thus be seen that American interests own and control no small amount of the world's total length of privately owned cables, and I think that the enterprise of the American companies in laying such a great mileage of cables without financial support or guarantee from the Government is to be commended and it might be pointed out here that this system of American cables was developed by keen aggressive competition between the American companies, backed in great measure by American capital. Some of the English cables were laid under the inducement of large subsidies and guarantees. American cable companies on the other hand have built up their large systems without subsidies or guarantees of any kind, and the American Government and public may rely upon the Amer-

ican cable companies keeping well in advance of the expansion of American trade with foreign countries and will increase their facilities as rapidly as conditions require. To accomplish this, however, it is important that the American Government support them vigorously in securing equitable and similar privileges in Europe and elsewhere as foreign companies are granted in this country. On behalf of the companies I represent I only ask to be given a fair field and no favors.

Coming now to cable manufacture. In the inception of submarine cables, British cable manufacturers built large plants devoted to the manufacture of long submarine cables, namely, The Telegraph Construction and Maintenance Company of London, The India Rubber Gutta Percha and Telegraph Works Company of Silvertown, London; and Siemens Brothers and Company of London. They acquired special skill and experience in the manufacture and laying of cables which assured purchasers of the security of their investment. This is one reason why Great Britain is the centre of the submarine cable manufacturing industry. If any American manufacturer of cables could produce a perfectly reliable deep-sea cable at a price to compete with foreign manufacture American owners of cables would of course prefer to buy their cables here instead of abroad. The British manufacturers have had a monopoly of cable manufacture because they have built cables from the early days of cable communication. They have the plants and the experience required to assure the successful manufacture of cables. Atlantic cables require Gutta Percha insulation. The market for this material is very limited; the greater part of it comes from the Malay Archipelago. It must be of the most refined quality, free from any impurities. When used in its purified condition, it is considered to be practically indestructible so long as it is submerged in water of cool temperatures. I am informed that the greater part of American manufacturers make India Rubber cables. These are all right in tropical waters of lesser depths. The Alaska cables of the United States Government were made in the United States of India rubber insulation. My understanding is that they have not proved entirely satisfactory. They would not have met transatlantic requirements. No one but a Government could afford to experiment with such cables and no private company would be satisfied with the results. The construction and insulation of long cables must be perfect to assure success. The slightest imperfection in manufacture or impurity in materials will impair or destroy com-

munication and mean costly repairs. If an air bubble should be left in the gutta percha insulation in the process of manufacture it will break down under the great pressure in ocean depths, this pressure very often exceeding two tons to the square inch.

Concerning conditions under which we are allowed to land and operate our cables in foreign countries. England in the past has been reasonable in her requirements for landing cables on her shores, but of late is adopting a more restricted policy such as limiting the duration of the landing rights to five years and demanding control over international rates. France and Germany (and I presume other Continental countries take the same attitude) have reserved with great jealousy their rights to absolute control of telegraph and cable operations within the boundaries of their own countries, and will not allow any private company to open public offices to deal directly with the public and control transmissions from origin to destination. The fact is that France and Germany have regarded the cables of their own subsidized companies as part of their governmental communication systems, and have not encouraged private companies to land and operate cables on their shores. The conditions they impose have the effect of stripping American companies of any advantages which private enterprise may have over Government operated systems. I submit that this is not conducive, but on the contrary is obstructive, to the free development of cable communication facilities between this country and such countries, because, speaking for my company, we cannot regard with satisfaction conditions which confine us to the mere physical landing of a cable, and compel us to rely upon the government telegraph system to perform the inland operations, and to deal with the public in the collection and delivery of messages. I should therefore say that one of the fundamental principles that each country signatory to any convention for the development of cable communication should agree to is not only the right of any bona fide cable company to land its cables, but also the right of operating the same and of opening offices in such countries for the handling of cable business wherever they consider it would be of public interest to do so, such as is allowed in Great Britain. The result would mean improved service, including the very important factor of quickly tracing errors and correcting them, thus giving unquestionably a far more reliable and effective service.

LEGISLATION TO CONTROL LANDING PERMITS

This brings me to the important point of securing governmental encouragement; not the encouragement of subsidized or guaran-

teed investment as is or has been given by foreign governments, but the encouragement of giving energetic and fully co-operative assistance to the cable companies in securing reasonable permits to do business in foreign countries. I understand that the Communications Conference, recently held in Washington, among other things considered the very important question of establishing a standard form of landing permit, and while I realize the difficulty of amalgamating in one form all of the various conditions which may be applicable in one country, but not in another, it would indeed be a great progressive step towards obtaining prompt action, if certain fundamental principles could be agreed to by treaty, and these principles should be made liberal to encourage cable enterprise. I have in mind, for example, the reciprocity principles laid down by President Grant in his message to Congress in 1875, reading as follows:

"The right to control the conditions for the laying of a cable within the jurisdictional waters of the United States, to connect our shores with those of any foreign state, pertains exclusively to the Government of the United States, under such limitations and conditions as Congress may impose. In the absence of legislation by Congress, I was unwilling, on the one hand, to yield to a foreign state the right to say that its grantees might land on our shores while it denied a similar right to our people to land on its shores; and, on the other hand, I was reluctant to deny to the great interests of the world and of civilization the facilities of such communication as were proposed. I therefore withheld any resistance to the landing of the cable, on condition that the offensive monopoly feature of the concession be abandoned, and that the right of any cable which may be established by authority of this Government to land upon French territory and to connect with French land lines, and enjoy all the necessary facilities or privileges incident to the use thereof upon as favorable terms as any other company, be conceded. As the result thereof the company in question renounces the exclusive privilege, and the representative of France was informed that, understanding this relinquishment to be construed as granting the entire reciprocity and equal facilities which had been demanded, the opposition to the landing of the cable was withdrawn.

* * * *

"As these cable-telegraph lines connect separate states, there are questions as to their organizations and control which probably can be best, if not solely, settled by conventions between the respective States. In the absence, however, of international conventions on the subject, municipal legislation may secure many points which appear to me important, if not indispensable, for the protection of the public against

the extortions which may result from a monopoly of the right of operating cable-telegraph lines, or from a combination between several lines:

"1. No line should be allowed to land on the shores of the United States under the concession from another power which does not admit the right of any other line or lines, formed in the United States, to land and freely connect with and operate through its land lines.

"2. No line should be allowed to land on the shores of the United States which is not by treaty-stipulation with the Government from whose shores it proceeds, or by prohibition in its charter, or otherwise to the satisfaction of this Government, prohibited from consolidating or amalgamating with any other cable-telegraph line, or combining therewith for the purpose of regulating and maintaining the cost of telegraphing.

"3. All lines should be bound to give precedence in the transmission of the official messages of the Government of the two countries between which it may be laid.

"4. A power should be reserved to the two governments, either conjointly, or to each, as regards the messages dispatched from its shores, to fix a limit to the charges to be demanded for the transmission of messages."

As to the landing rights in the United States, I agree that there should be some legislation to clarify this situation, and to vest the authority to impose landing conditions in some department of the Government. Your bill proposes to place this authority in the hands of the Secretary of State, and I believe that he would be the proper official of the Government to deal with such permits, because it not only involves permits to American companies to land in America, but permits to foreign companies to land here, and also permits to be obtained in foreign countries, and the State Department is the only department properly equipped to deal with these international questions.

There is another important point requiring consideration, namely, the substitution of some fixed period in the permit, in place of the present power of revocation. As the permits are issued now, the President has the right to revoke a permit at any time or for any reason he may decide. I do not assume that the President would ever exercise such rights without good cause, but at the same time I think it must be admitted that there is a large element of risk in accepting landing permits containing such arbitrary powers. I am quite willing to admit the propriety of a stipulation giving the Government the right of revocation for any

violation of the conditions imposed, but I do not think the powers of revocation should be as broad as those contained in the present form of permit. Cables are not like portable machinery, which can be shifted about from place to place without more damage than ordinary expense, but once they are laid in a certain position and perhaps millions of dollars have been invested on the security of receiving a landing permit it might very well be impossible to remove or divert the cables if the Government decided to revoke the landing permit. The present practice imposes a risk which I do not think private companies should be required to accept. Once the conditions are agreed upon with the Government they should stand for a definite period, unless there is a deliberate violation of them, or national interests in time of war make revocation or suspension justifiable. In England landing permits have always been issued for a specified period. The original permits to this company in England were issued for thirty-one years, and naturally gave the company a feeling of security. The present permits are issued for five years and we feel that this period is entirely too short and should be extended. We hope that as a result of the general discussion of encouraging the development of cable communications, it will be possible to prevail upon England the desirability of making her landing permits run for longer periods than five years, if for no other reason than the security of investment and consequent encouragement of new cable extensions.

Another objection we have to the present proposed form of landing licenses issued by Great Britain, is the right to control our rates. This, as stated previously, is a new departure. We have no objection to a stipulation prohibiting any increase in the rates without governmental consent, but in considering a proposition to give the British Government control over our rates we are not unmindful of the fact that the British Government is now engaged in competing with us in the transatlantic cable business and that England by her proposed control of rates could discriminate against these American owned cables to the advantage of her government owned cables. The British Government is not concerned with profits which, of course, must always be an important factor in private enterprise, and consequently they may reduce their rates to a profitless minimum. If we are compelled to follow by any control they might exercise, it might be a very serious matter for the American cable companies and it would certainly have a very deterring effect upon new investment in cable extensions. I might

say that for years prior to the war the British Pacific Government cable showed annual deficits, as follows:

March 31st 1903 to March 1904.....	\$87,751.0.0
1904.....	75,849.0.0
1905.....	72,555.0.0
1906.....	54,923.0.0
1907.....	63,362.0.0
1908.....	60,887.0.0
1909.....	59,588.0.0
1910.....	48,210.0.0
1911.....	40,499.0.0
1912.....	32,269.0.0
1913.....	19,950.0.0
1914.....	7,915.8.1

EXCLUSIVE AND PREFERENTIAL RIGHTS

Now as to monopolies, my company is in hearty sympathy with any program to discourage the issuance of any exclusive or preferential rights. Our policy has always been anti-monopolistic, and strongly in favor of competition, as we firmly believe that it is only under the inspiration of competition that the best results can be obtained. The question, however, as to whether the United States Government should adopt a rigid policy against companies which have monopolies, or exclusive rights, or link up with companies having such exclusive rights, is one which requires very careful consideration. My judgment would be that each case must be decided on its merits, and all circumstances placed in the balance. I believe that any company which desires to land cables in the United States, or on American territory, which has exclusive or preferential rights of its own, should be required to waive such rights, but where it is found necessary to link up with companies having exclusive rights, in order to reach territory which could not otherwise be joined up with the United States, due consideration should be given to the particular facts in each case. For example, you are doubtless aware of the history of the laying of our transpacific cable. Unless we had received the co-operation of foreign companies the Pacific cable could not have been laid when it was, and it is doubtful whether it would have been laid up to the present time. The benefits to the Government and the public of the transpacific cable speak for themselves. Prior to the time it was laid messages sent by the lines of the Eastern Companies to China, the Philippines and Japan had to transit through fifteen or sixteen foreign cable stations, namely, Canso, Nova Scotia; Waterville, Ireland; London, Porthcurno, Gibraltar, Malta, Alexandria, Suez, Aden, Bombay, Madras, Penang, Singapore, Labuan and Hong Kong for China and the Philippines, and

from Hong Kong to Nagasaki via Shanghai for Japan. After the Pacific cable was laid messages transited through three American stations to the Philippines and Japan (namely, Honolulu, Midway, Guam), and four American stations to China (namely, Honolulu, Midway, Guam and Manila), and the rate from San Francisco to China was reduced from \$1.72 per word via the Atlantic, to \$1.10 per word via the Commercial Pacific; to the Philippines from \$2.47 to \$1.00 per word; and to Japan from \$1.88 to \$1.21 per word. Further reductions were made in these as follows:

To Philippines.....	80c.	from September 1, 1919
To China.....	88c.	" " " "
To Japan.....	96c.	" " October 1, 1919

The officers and directors of the company, with one exception, are Americans. All are residents of the United States, and the operations of the company are all directed from New York. The staff, except in China, where Chinamen are employed, are Americans, or have signified their intention to become Americans as soon as they can do so under the Naturalization Laws. The cable transits all American territory except where it lands in Shanghai and the Bonin Islands (Japan). We are subject to American laws and regulations; and, as the United States Government can buy the cable at any time at an appraised value under our landing rights, every possible protection surrounds the company against any attempt at foreign influence or control.

CABLE LANDINGS AT THE AZORES

At your recent hearings some reference was made to the exclusive privileges at the Azores. The representative of this company fully explained to you the situation there. There are no exclusive rights at the Azores which would prevent an American company from obtaining rights to land. The situation, as I understand it, is simply that the Portuguese Government takes the position that all landing rights at the Azores shall be made to the British company, which was the pioneer company at the Azores, and that the British company may in turn assign its rights to any American or any other company. The question of obtaining landing rights there must therefore simply be one of negotiation between the United States Government and the Portuguese Government, and as the Azores is the natural gateway to southern Europe, we trust that the United States Government will succeed in inducing the Portuguese Government to grant landing rights direct to American companies, so that the latter will have an independent status at the Azores.

GERMAN CABLES IN THE ATLANTIC

You have referred to the former German cables, seized by England and France during the war. We are very largely interested in this question by reason of our actual investment in the cables and contract relations with the German Cable Company. The two German Atlantic cables were laid in 1900 and 1904 and ran from Emden, Germany, to the Azores (1,960 miles), and thence to New York (2,357 miles) where they were brought into our cable station and operated by The Commercial Cable Company under a contract dated August 3, 1899. That contract has still twenty years to run and it was not only valuable to us for its financial benefits, but these two cables, operated with the greatest efficiency, were great assets to American trade with Germany and North Europe, as is evidenced by the fact that 32 per cent of our total cable traffic was transacted between the United States and Germany. The history of the seizure of these cables by England and France during the war is already fully known to you and to the Government. The sections of these cables between Emden and the Azores were cut originally in the English Channel immediately following the declaration of war between Germany and England on August 4th, 1914. In March, 1917, they were cut at points 648 and 610 miles, respectively, from New York, and one of them was diverted by the British Government into Halifax, Nova Scotia, and since July 1st, 1917, has been used by the British Government as part of its Imperial telegraph and cable system. The French Government did not remove the other German cable from our shores, but in August, 1917, the French Cable Company communicated to us a request from the French Government to turn this cable over to the French Cable Company in New York. We naturally questioned the purpose of this request and it was not pursued. We did, however, lodge a protest against this proposed seizure with the Department of State on August 9th, 1917. In November, 1917, the French cableship "Jeramec" arrived at New York, and cut both of the German cables approximately five miles from their landing place at Far Rockaway, New York, and diverted one end into the French company's landing place at Coney Island. What became of the other end, namely, the end which was part of the 648 miles of cable cut out of circuit by the diversion of the cable by the British into Halifax, we do not know. In the meantime the French Cable Company applied for, and received a permit from the United States Government, to land a cable in the United States, ostensibly for the purpose of con-

necting with the German cable seized by the French Government. It was only necessary for the French company to lay a short length of cable from the French Cable Company's landing place at Coney Island to the point where their cableship cut the German cable off Far Rockaway and establish connection. I would like to call attention to the fact that this German cable seized by the French Government was taken from our terminal station at Far Rockaway, New York, to the French Cable Company's terminal station at Coney Island, New York, before that company had the necessary equipment to operate it, and it remained idle for over twelve months during the war. In fact it was not put into operation by the French Cable Company until March, 1919 (four months after the war), and even now it is not able to operate it with the same efficiency with which it was operated by The Commercial Cable Company prior to the war. As the question of the final allocation of these German cables in accordance with the provisions of the Peace Treaty is in the hands of a specially appointed committee, and as we have furnished that committee with all the data and facts concerning our interests, I will not trouble you with any unnecessary detail, except to say that we believe the most equitable settlement of this question would be the restoration of the status before the war. To do this would automatically restore a very valuable asset to this country, viz.: direct communication between the United States and Northern and Central Europe; it would remove the political jealousies which are bound to arise from the fact that one government obtains greater advantages than another, especially at the expense of a friendly ally.

I am advised that under international law there is grave doubt as to the legality of seizing enemy cables during war, but I submit that there must be some differentiation made between the legality of seizing enemy cables connecting an enemy country (Germany) with neutral territory (the Azores) and seizing enemy cables which only connect neutral or allied nations, namely, the United States and the Azores. I understand there is no rule of international law or practice of nations allowing belligerents to appropriate the property in cables, even though they have been cut and diverted in the course of military operations.

There may be a division of opinion as to whether enemy cables between neutral and belligerent territory may be cut on the high seas, but as to enemy-owned cables between two neutrals or allies, such as between Portugal (the Azores) and the United States,

as mentioned above, there could have been no necessity of war justifying the cutting and diversion of either of these cables, as they were not susceptible of use by Germany for the conduct of war. I think it is very important to emphasize that the possession of the sections of cable between the Azores and New York was in no sense necessary to either England or France, either in prosecuting the war or in preventing Germany from using them. If England and France should try to justify the seizure of these German cables between the Azores and the United States on the ground that they were important as lines of communication in prosecuting the war, the answer is, that they could have been put to much more efficient and immediate use by leaving them where they were, instead of disturbing them and causing them to remain idle for many months as a result thereof. The United States was a belligerent and an American company was in the position of being able to operate the New York-Azores sections immediately, because it had the necessary apparatus and equipment to do so.

You are doubtless acquainted with such authorities as exist, dealing with the application of international law to the cutting of cables as a war measure, but I quote for easy reference the following:

"Professor Oppenheim of the University of London in his work on International Law (1906) states (Vol. II, para. 214, p. 224) that the Institute of International Law at the meeting at Brussels in 1902, adopted the following five rules which he gives in French, and which translated are as follows:

"Interference with Submarine Telegraph Cables.

"1. A submarine cable connecting two neutral territories is inviolable.

"2. A cable connecting the territories of two belligerents or two points of the territory of one of the belligerents may be cut anywhere, except in territorial sea and in neutral waters dependent on a neutral territory.

"3. A cable connecting a neutral territory with a territory of one of the belligerents cannot, under any circumstances, be cut in the territorial sea or in the neutral waters dependent on a neutral territory. On high seas such cable cannot be cut unless there be an effective blockade and within the limits of the line of blockade, except the cable be restored in the least possible delay. The cable may, however, be cut on territory and in the territorial sea dependent on an enemy's territory up to a distance of three nautical miles from low water mark.

"4. It is understood that the freedom of a neutral Government to transmit its messages does not carry the right to use

it or permit it to be used manifestly to lend aid to one of the belligerents.

"5. Concerning the application of the preceding rules, no difference is to be drawn between Government cables and cables privately owned, or between cables belonging to an enemy and those of neutral ownership."

Article 1 is very positive that a submarine cable connecting neutral territories is inviolable.

The United States Naval War Code, article 5, lays down the following rules:

"1. Submarine telegraphic cables between points in the territory of an enemy or between the territory of the United States and that of an enemy are subject to such treatment as the necessities of war may require.

"2. Submarine telegraphic cables between the territory of an enemy and neutral territory may be interrupted within the territorial jurisdiction of the enemy.

"3. Submarine telegraphic cables between two neutral territories shall be held inviolable and free from interruption."

Paragraph 3 is a confirmation of Article 1 of the above Rule adopted by the Institute of International Law, and clearly shows what attitude the United States would have taken in a similar situation to that which England and France were in when they seized the two German cables.

I would emphasize the fact that both cables were cut between 600 and 700 miles from New York, indicating that they were not cut for the purpose of interrupting communication under the necessity of war, but for their subsequent diversion and appropriation. The actual diversion of the cables took place in July 1917, by the British, and November, 1917, by the French, after the United States had entered the war. It is therefore fair to say that neither England nor France can justify the seizure of these two German cables between the Azores and North America as a war necessity, because both the United States and Portugal (the Azores), were allied with England and France, in the vigorous prosecution of the war.

I cannot urge too strongly the importance of the United States Government insisting on the restoration of these cables to service between the United States and Germany. Neither of these cables touched British or French territory, and there is no justification for their diversion. In making this statement, I beg to assure you that I am not governed by selfish motives, or that I harbor in the slightest degree a feeling of antagonism against our Allies, among whom it has been my good fortune to make associations,

both personal and business of many years standing, and my admiration for the indomitable stand by England and France in the successful prosecution of the most historic of wars has been profound. It is one of the most remarkable situations which have developed out of the war that we should thus be deprived of this commercial intercourse with Germany and central and northern Europe, and speaking as an American and in the interests of American trade, I repeat that there is no situation in the whole field of cable communications or in fact in the consideration of the resumption of our trade relations with Germany which demands more urgent and forceful attention. When I tell you that in the year 1913, 826,000 messages passed over these two cables between the United States and Germany you will realize what it means to American trade and commerce to be summarily deprived of these cables. Our Allies should be given to understand that in all justice and equity these cables must be restored.

GERMAN-DUTCH CABLES IN PACIFIC

I would also like to refer briefly to the situation in the Pacific respecting the cables seized by Japan between Guam, Yap and Shanghai (2,340 miles laid in 1905). As you are aware, the Deutsch-Niederlandische Telegraphengesellschaft, a company formed in Germany, but largely supported by Dutch capital and subsidized by the German and Dutch Governments, owned cables running from Guam to Yap, there diverging, one line going south to the Dutch Indies, and the other going north to Shanghai. We operated the Guam end of that cable under a contract with the German-Dutch company. All messages for the Dutch Indies were sent via Yap under normal conditions, and during interruptions of our cable between Guam and Manila, which cut off all communication with the Philippines and China by our route, we diverted traffic via Yap to Shanghai over this German-Dutch system. Hence, these cables were very important in maintaining uninterrupted communication with China and the Philippines, and the seizure of Yap by the Japanese, and the diversion of the cable into one of the Japanese islands, deprives us of this alternative route. There was only one other alternative route to China, and that was via Japan. If Japan continues to retain the Yap-Shanghai cable, it will mean that all traffic destined to China and the Philippines during interruptions of our Guam-Manila cable will have to transit Japan, and the volume of traffic to the Philippines would not justify the laying of such a cable which would be practically idle most of the time.

The same arguments as to the interference with American cable communications apply here as to the seizure of the German-Atlantic cables. No part of these cables in the Pacific touched Japanese soil, but one end touched American territory (Guam) and yet the Japanese have seized this German Pacific cable system to the detriment of American trade with China and the Philippines, and advantage to their own. I here also strongly submit that the United States in consideration of its co-operation in the war should not be affected by being deprived of an important alternative means of communication with China and its Far Eastern possessions, the Philippine Islands, which it enjoyed before the war.

COMPARISON OF CONTROL OF COMMUNICATIONS IN EUROPE

From time to time I have heard intimations of the importance of establishing means of communication from America with various countries throughout the world, free from the domination of foreign control. As one who is intensely interested in the development of American commerce with all parts of the world without prejudice or favor, I would warmly welcome and support any concrete proposition to make American cable communication free from the control of foreign governments, but the problem we are dealing with is a practical one, and must not be allowed to be overshadowed by prejudice or idealistic ambitions.

In Great Britain we are allowed to freely open offices; the British Government leases us wires at reasonable rentals to enable us to connect up our offices in various cities with our terminal stations. Messages passing over our lines to places where we have our own offices are absolutely under our sole control from origin to destination, and were never scrutinized by any department of the British Government until the war, when censorship required us to pass all messages to the authorities for inspection before being sent. This practice of censorship in war times, however, is world-wide and was practised in this country during the late war, and is not a justifiable basis of complaint. Since censorship ceased, the British Government have required us to turn over all messages ten days after they have been sent or received. This is a right which they claim under the landing licenses they issue to all cable companies. What their purpose is I am unable to say, but I would point out that in every other foreign country, because of their control of the inland telegraphs, all messages from America or elsewhere have *always* of necessity been turned over to the Government telegraph administrations for further transmission

and in this way those countries have always been able to control the transmission of the messages. I would welcome any plan of treaty or otherwise which would make inviolate the cable messages passing from one country to another in peace times. That it is desirable for America to have as many independent lines of communication as possible, I freely admit and endorse, but here again we are face to face with a very practical problem. The geographic situation of the United States, combined with the electrical limitations in the transmitting capacity of long submarine cables, makes it impossible to lay cables direct to any part of Europe without touching at some intermediate point for relay purposes. There is one direct cable now, namely, the French company's cable from Cape Cod, Mass., to Brest, France (3,173 miles), but it has never been able to compete in point of speed or capacity with the cables via Canada or Newfoundland. There are only three intermediate places in the Atlantic where relay stations can be established, namely, Nova Scotia, Newfoundland and the Azores. Both Nova Scotia and Newfoundland are under British control. The Azores is Portuguese. From the Azores, cables could be laid to Italy, to Portugal, Spain, France, Belgium, Holland, Germany and probably Denmark. As a matter of improved service, I readily admit the desirability of establishing the most direct cable service, but as a matter of freedom from control, I cannot admit that there would be any greater advantage in traversing Portuguese territory or any other foreign territory than British territory, and I say this without any disparagement to any nation.

RECOGNITION OF ROUTE INDICATIONS AND INTERNATIONAL TELEGRAPH CONVENTION

Another important question which has been brought to the attention of your committee is the desire to have the American landline companies recognize the right of the public to direct their messages intended for cable or wireless transmission by any route they may desire. At first glance this would appear to be a fundamentally proper principle, and if we were engaged solely in the transmission of messages over landlines we would naturally offer no opposition to the proposal, but we have a large amount of capital invested in cables, and our land telegraph system forms an integral part of the combined telegraph and cable system, and to require our landline system to recognize route indications would in effect mean placing our landline system at the disposal of competitors to take business from our own lines. We, of course, realize that our landline system, being a public utility, should not

deny the public the right to utilize any available facility for dispatching messages by competing cable or wireless systems, but I hardly think it is fair to argue that the landline companies should be required to provide these facilities for the exchange of traffic with competing cable or wireless systems on the same conditions as those provided for their own cable systems. We are not placing ourselves in the attitude of depriving the public of the right to use our landlines, or communicating over a competing cable or wireless system, but we respectfully contend that it would be most unreasonable to give these competing services the full benefit of our landline facilities without some special consideration. I would like to state here that we have always taken a liberal view on this question, having in mind the fact that we are primarily in business to serve the public, but I believe it will be agreed that we are entitled to some measure of protection against the possibility of competition by systems, which are indifferent to financial results, such as, for example, the British Imperial Government cable.

This question of recognizing routes is involved in the questions of having the United States and the American cable companies adhere to the International Telegraph Convention which you are doubtless aware is a convention agreed to by practically all of the foreign powers who have their own government telegraph systems. It is a question which has come up in connection with the Communications Conference recently held in Washington, and concerning which the American cable companies were invited to state their views. I think it would be interesting to your committee if I repeated our general views on this question, and therefore quote, for your information, the following extract from a letter we addressed to Honorable Norman Davis, Chairman of the American Delegation to the Communications Conference, dated November 15, 1920:

"We would have no fundamental objection to adhering to the International Telegraph Convention covering service regulations if it were possible to protect ourselves against any unreasonable regulations, present and future. We have always complied with practically all of the regulations of the International Convention and our principal reason for not wishing to formally adhere to it is because we see no advantage either to us or to the public in doing so. On the contrary there might be a distinct disadvantage in doing so by being obliged to comply with regulations which are burdensome. *We would point out that we are now facing the com-*

petition of two government cable systems across the Atlantic, namely, the British Government and French Government. We do not wish to be mistaken as *opposing* the International Convention in so far as its regulations are designed to maintain a uniform method of dealing with international traffic, but to compel us to be strictly bound by rules and regulations which are created more in the interests of the European government owned telegraph systems, will not only destroy the enterprise of competitive service but reduce the private companies to the conditions of government ownership.

"We have had considerable experience in dealing with the European Governments, and we believe that their anxiety to have us become adherents to the International Convention is not so much to comply with one or two rules which we now object to, but to enable them to compel us to comply with such regulations as they may see fit to impose from time to time to favor their own interests, whether or not those regulations affect the interests of the American cable companies. We are not invited to accept the Convention and become equal partners. We are invited to agree to submit ourselves to the rules and regulations attached to the Convention. These rules and regulations, as shown by Article 13 of the Telegraph Convention, may be modified and new regulations created at any periodical conference of delegates from the signatory powers without our having any voice or vote in the matter.

"We also quote for your information Article 10 of the plan of Proceedings at the International Conference:

"No amendment is adopted unless there is an absolute majority of the votes cast."

"As stated above, we have every desire to work in harmony with rules established for the purpose of facilitating international telegraphic communication and have in fact always done so, but we take it that the policy of the United States is to encourage unrestricted competitive enterprise and we strongly urge that the United States and the public will best be served by relying on the continuance of competitive enterprise than to curb the actions of the cable companies by compelling them to comply with rules which have been or may be created more for the purpose of protecting European Government telegraph systems. The private Atlantic cable companies have been in operation for over fifty years and to our knowledge have never offended by their refusal to adhere to the

Convention. In all essentials for the conduct of a telegraph or cable business we have complied strictly with the provisions of the Convention except those relating to charges for the performance of our own service, the transmission of time of filing, the making of multiple copies of the same telegram and the compulsory transfer of messages from our own lines to the lines of competing services known as the recognition of 'vias.'

"We collect and transfer to the signatories the charges prescribed by the Convention.

"We know the transmission of the time of filing to be a waste of cable space in connection with a large percentage of messages. We contend that when the time of filing is necessary to the transaction referred to in the message it should be included in the message by the sender as a part of his message.

"The making of multiple copies would have the effect of turning the telegraph office into a copying bureau for all kinds of syndicates for the distribution of matter which should properly be done by the agent of the sender. It would in effect compel us to become the agent of any person or concern without our consent. Government owned systems can undertake to do this because, as declared in the Convention (Article 3) they accept no responsibility on account of the service of international telegraphy.

"The recognition of the routing prescribed by the sender would compel private enterprise to place the use of their property at the service of competing concerns on the same terms as they are employed for our own business purposes.

"Our agreeing to the Convention would be of no value unless at the same time radical legislation were passed giving the Government far greater control than it now possesses; this would result first in harassing interference with the operations of the private companies and possibly later either driving the companies from the field or discouraging new enterprise.

* * * *

"The United States is not in the position of any of the signatory powers who compose the authoritative body of the Telegraph Union. It does not control the telegraph systems of this country, except in so far as they are subject to the law courts and Commerce Commissions. It could only join the

Telegraph Union as an equal partner if it were in a position to exercise equal powers over its telegraph systems as foreign powers owning and operating telegraph lines can exercise over theirs. To give it such powers would be to make the American cable and telegraph systems synonymous with Government Ownership. We do not believe that this is what is desired by the American public and feel certain that it would be a handicap to private companies built up under the present system of unrestricted competition and take away all incentive to fresh private enterprise. The telegraphs of Europe have been under the domination of the International Telegraph Convention since 1858, and we believe it will be agreed that no one in America with experience of Europe has found anything there in the telegraph service to make him desire similar institutions over here.

"Your Committee suggested that if the United States joined the Telegraph Union the companies could possibly be protected by the fact that unanimous consent to proposed changes is required of all parties to the Convention which would include the American Government. This does not protect the private companies against the creation or alteration of regulations objectionable to the Companies as the rules and regulations which deal with everything affecting the telegraph service, including the use of the properties and the rates, can be changed or added to at any of the periodical conferences of the delegates of the signatory powers. As shown by Article 13 of the Convention the regulations may be modified by mutual agreement between the Contracting States and under Article 10 of the plan of Proceedings quoted above, amendments are made by majority vote. The United States would have one vote. Luxembourg has one vote.

"Some of the Governments have utterly ignored certain obligations under the International Convention Rules when it suited their purpose to do so, but being governments there was no compelling force to require them to act otherwise. For example, for years Germany declined to recognize route indications, because it suited her interests not to do so. France at the present moment is ignoring her obligations under the Convention to pay traffic balances on a gold franc basis and is insisting upon paying us and the other cable companies on the depreciated franc basis. I wish to emphatically bring this point to your attention that the Conven-

tion and its Rules are only carried out by the foreign governments to whatever extent it suits their purpose.

* * * * *

"Finally, we would say that we can see no advantage to the United States becoming involved in the operations of an International Telegraph Union and the only result which we can foresee would be the sacrifice of the freedom of action of the American cable companies. There is no similarity between this proposal of becoming a party to the International Telegraph Convention and the International Postal Union. The Postal service is universally government owned, but the telegraph service is not universally government owned and the United States Government has nothing to secure from the European Government telegraph systems in exchange for the freedom of action of its private telegraph systems.

"We understand from your Committee that we are now threatened with a refusal of the renewal of our privileges by an alliance between Great Britain, France, Italy and Japan, unless we consent to permit these Governments to control our rates, and agree to adhere to the International Convention. This is so absolutely contrary to any spirit of justice or equity that we do not believe the American Government will permit us to be so treated. Increased facilities are needed to provide for the development of trade. How is it expected that any private enterprise will invest capital in a project whose earning powers are subject to the will of a government, especially if such government is engaged in competition with this private enterprise? It is needless for us to point out that such a government competitor has no concern about the financial results of its own enterprise and is in a position to further affect private enterprise by collecting from it in taxes a share of the sums needed to make up its own deficits."

DISSEMINATION OF AMERICAN NEWS

As to the dissemination of American news, I do not think I can add anything of value to what has already been said before your Committee. I unhesitatingly admit the importance to American trade and political interests of the wide distribution of unadulterated American news. The fact that some of the foreign governments have subsidized news agencies and subsidized cables undoubtedly give them an advantage over the unsubsidized Amer-

ican press associations, but it seems to me that the only practical way in which this can be met is to utilize the American Government radio systems for the distribution of American news and trade reports.

INCREASED CABLE FACILITIES

In conclusion I would like to say that the great volume of business which came to the cable companies during the war and which has more or less continued as an aftermath of the war, but is now showing signs of diminishing, has caused a flurry of demands for increased cable facilities. I wish to assure you, sir, that my Company is fully alive to the importance of providing ample facilities, and its past policy has been to furnish facilities in advance of requirements. Before the war this Company had made all arrangements for laying another trans-atlantic cable from New York via the Azores, either to France or England. Its preference would have been to lay it to France, to provide additional communication with the Continent, but as the conditions which France imposed are not as liberal as those under which we could lay and work our cable in England, we had about come to the conclusion to lay it to the latter country. We had obtained landing permits at the Azores through the Europe and Azores Company; we had prepared contracts and specifications and obtained bids from the contractors and were on the point of concluding arrangements when war intervened. This made it impossible to complete the laying of the new cable to the Azores within the time stipulated in the Concession, and it became necessary to negotiate a new concession. This we did, and endeavored, with the assistance of the State Department, to obtain a concession direct to this Company, but thus far the Portuguese Government has not definitely acted on our application. Since the war the cost of cables and laying them has increased about 250 per cent., and labor conditions are still abnormal. Prior to the war the volume of traffic, and the various classes of cheap services, resulted in revenues considerably less than they have been during the war, and it is my belief that long submarine cables could not be laid across the Atlantic at present prices and pay their way under normal traffic conditions. However we fully intend to actively increase our facilities both in the Atlantic and Pacific as soon as conditions at all warrant it. As regards the latter the Commercial Pacific Cable has given its assurance that it will lay another cable as soon as it shall have received a definite and satisfactory reply from the Japanese Government to its offer.

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